GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:236
ANSWERED ON:17.03.2017
Green Bonds
Joshi Shri Pralhad Venkatesh

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is pushing financing through the issuance of green bonds;
(b) if so, the details thereof;
(c) whether the rules for the issuance and listing of green bonds have been finalised;
(d) if so, the details thereof; and
(e) the likely benefits for investors for making investments in the aforesaid bonds?

Answer

The Minister of Finance Shri Arun Jaitley
Statement referred to in the reply to LOK SABHA Starred Question no *236 (a to e) raised by Shri Pralhad Joshi, Member of Parliament due reply for 17th March, 2017 regarding "Green Bonds".

(a) to (e): Issuance of Green Bonds in India does not require any amendment to the existing SEBI regulations for issuance of corporate bonds viz SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (hereinafter "ILDS Regulations"). SEBI has proposed that in case of green bonds,the issue andlisting requirements as prescribed under ILDS Regulations will continue to be applicable, like any regular corporate bond issuance. However, for designating an issue of corporate bonds as green bonds, in addition to the compliance with the requirements under ILDS Regulations, an issuer shall have to disclose in the offer document following additional information about the green bonds, which have been based upon the Green Bond Principles, 2015, laid down by International Capital Market Association (ICMA), namely regarding use of proceeds, project evaluation and selection, management of proceeds, and reporting on annual basis about list of projects to which green bond proceeds have been allocated alongwith expected environmental impact of such projects.

SEBI had come out with a consultation paper for the disclosure requirements for "Public issue and listing of green bonds and listing of privately placed green bonds" and the same was placed on SEBI's website on 03.12.2015. After analyzing the comments received, a proposal for guidelines on disclosure requirements for issuance and listing of green bonds was placed by SEBI before its Board in the SEBI Board meeting held on 11.01.2016 and the same was approved by the SEBI Board.

Ministry of Finance vide letter dated 14.06.2016 sent certain comments to SEBI and vide letter dated 06.02.2017 requested SEBI to take action as appropriate for finalizing the guidelines for Green Bonds. In March 2017, SEBI has sought the comments of MNRE on the draft additional disclosure requirements for issuance of green bonds.

As per SEBI's concept paper, the key benefits of issuing green bonds are as under:

i. Positive public Relations: -Green bonds can help in enhancing an issuer's reputation, as this is an effective way for an issuer to demonstrate its green credentials. It displays the issuers commitment towards the development and sustainability of the environment. Further, this may also generate some positive publicity for the issuer.

ii. Investor Diversification:-There are specific global pool of capital, which are earmarked towards investment in Green Ventures. This source of capital focuses primarily on environmental, social and governance related aspects of the projects in which they intend to invest.Thus, green bonds provide an issuer the access to such investors which they otherwise may not be able to tap with a regular bond.

iii. Potential for pricing advantage: - The green bond issuance attracts wider investor base and this may in turn benefit the issuers in terms of better pricing of their bonds vis-a-vis a regular bond. Currently there is very limited evidence available in this regard, however as demand of green bonds increases it is likely to drive increasingly favorable terms and a better price for the issuer. Further, with increasing focus of the global investor community towards green investments, it is expected that new set of investors will enter into this space leading to lowering the cost of funding for green projects.